

ECONOMIC RESEARCH SERVICE (USDA)  
AND THE FORD FOUNDATION

RURAL WEALTH CREATION AND LIVELIHOODS

CONFERENCE KEYNOTE: TOM VILSACK

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LIST OF PARTICIPANTS

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## 1 P R O C E E D I N G S

2

3 MR. MENNER: If -- I hate to break up the  
4 conversations because my head is spinning already from  
5 just table number five, and I have a lot to think about,  
6 and I have to introduce my boss.

7 Good morning everyone, I'm Bill Menner, I'm the  
8 State Director of Rural Development for USDA in the state  
9 of Iowa. And I'm serious when I say that just our  
10 conversations around our table have got me thinking about  
11 the job that we do at rural development and across USDA  
12 and about my, the Secretary's focus as an advocate for  
13 rural America. And when I first was asked to introduce  
14 the Secretary by Janet, I was thinking about recent  
15 meetings I've had with our Council of Foundations, and I  
16 recall that it has been eight years or so since then-  
17 governor Vilsack signed into law the Endow Iowa Tax  
18 Credit.

19 There is wealth creation and there is this  
20 challenge of transfer of wealth which we're all dealing  
21 with. Endow Iowa was a landmark piece of legislation that  
22 the governor signed. And the impact today has been 130

1 community foundations and affiliates leveraging \$75  
2 million with 1,500 community volunteers working in their  
3 rural communities, mostly rural places doing great  
4 projects and great programs, and that's become a model  
5 across the country. Endow Iowa has just made a tremendous  
6 impact on our state, and the governor, now-Secretary, his  
7 fingerprints are all over that. Those of you who follow  
8 what he does know his fingerprints are on all sorts of  
9 other things. It's a privilege to work for him. Ladies  
10 and gentlemen, the Secretary of Agriculture.

11 (Applause)

12 MR. VILSACK: Thanks, Bill. Appreciate it,  
13 thank you. Thank you very much. Thank you. Good  
14 morning. Thank you. Bill, thanks very much.

15 I see Jerry Hagstrom (phonetic) is in the back.  
16 Jerry, here is just a tip. Jerry is a reporter, so I  
17 obviously have to be really careful about what I say here  
18 today. But, you know, Bill Menner was a reporter when I  
19 was -- when I first started being governor; so Jerry you  
20 never know, some day you may end up. He didn't think that  
21 was a particularly good opportunity for his career.

22 (Laughter)

1           MR. VILSACK: Well, I really appreciate the  
2 opportunity to be here this morning. This is a very  
3 important topic to folks who are connected to USDA and to  
4 folks who understand the importance of rural America.  
5 I've been given 10 to 15 minutes to talk today, and I may  
6 just extend that just a little bit, but we'll give you  
7 plenty of time for questions and answers.

8           Let me start with the importance of rural  
9 America. Some of it is fairly obvious; it is the source  
10 of most of what we consume in terms of food. Eighty-five  
11 percent of the surface water that we consume and drink and  
12 have available to us is impacted by what happens on the  
13 private working lands and forested areas that are located  
14 in rural America. It is an ever-increasing amount of our  
15 fuel and energy consumption.

16           And over the course of time it will increase in  
17 its significance and importance in terms of energy  
18 security for this country. And there is a burgeoning  
19 industry of bio-based products which we're going to  
20 continue to see more of and rely more on in terms of  
21 economic opportunity.

22           It's an important place. It's an important

1 place because 40 percent or more of our military comes  
2 from the 16 percent of the population that lives in rural  
3 America. So it's not just about economic security,  
4 environmental security, the natural resources, it's also  
5 about national security and the ability to have enough  
6 young men and women willing to serve and protect us. It's  
7 an important place.

8 But its significance in terms of our economy has  
9 been challenged over the course of the last number of  
10 years. When I was a kid, 15 percent of America's  
11 population farmed and almost everybody who wasn't farming  
12 in small communities was impacted and affected positively  
13 or negatively by the farm economy. Farm economy was up;  
14 small towns across the country were doing well. If the  
15 farm economy was down, small towns across America weren't  
16 doing so well.

17 Today we're looking at record farm income; today  
18 we're looking at record export opportunities, but also  
19 today we are continuing to see a disproportionately high  
20 number of unemployed in rural America, higher poverty  
21 levels in rural America and aging population in rural  
22 America, a declining population in rural America and

1 declining political significance of rural America because  
2 of the declining population means fewer folks in Congress.  
3 Over time, we'll understand what goes on in rural America.

4           So the importance of the place is not  
5 necessarily matched by our opportunities to create enough  
6 economic activity in that place to sustain growth, and  
7 that's why I'm here today, to talk to you a little bit  
8 about what we believe at USDA and what the president  
9 believes. It's important and necessary for us to grow  
10 rural America and how we can partner both in terms of the  
11 academic side and in terms of the non-profit world.

12           We're focused on three basic strategies here.  
13 And since I come from Iowa and Chuck I see you here, I  
14 know you're looking forward to playing the Hawkeyes, but  
15 man, did you -- Chuck is from Nebraska, he had a tough --  
16 anybody here from Wisconsin?

17           SPEAKER: Yes.

18           MR. VILSACK: You're going to want to talk to  
19 Chuck afterwards.

20           SPEAKER: (Off mic).

21           MR. VILSACK: I'll tell you what, my  
22 professional football team needs that offensive line from

1 Wisconsin.

2       Since I'm from Iowa I like words that begin with "I,"  
3 so I'm going to talk about innovation, I'm going to talk  
4 about investment and integration. First of all,  
5 innovation.

6       In order for this economy to grow we've got to  
7 move beyond what we traditionally have relied on in rural  
8 America which has been value-added agriculture in a  
9 traditional sense. You grow crops, you feed it to  
10 livestock, you sell the livestock, you have extra income.  
11 We really have to focus on ways in which we can continue  
12 to add value to what is grown and what is raised.

13       Wealth is created every single year from the  
14 ground, we have to make sure we maximize that wealth and  
15 we have to make sure that a significant portion of it  
16 remains in the rural communities from which it came,  
17 that's why we've put a lot of emphasis at USDA on the  
18 biofuels industry and the renewable energy industry.  
19 These are opportunities for us to take what could be waste  
20 product, what could be product that is raised which has  
21 little value and create new opportunities.

22       We are looking at ways in which we can use woody



1 biomass, perennial grasses on non-productive land,  
2 agricultural waste, both livestock and crop residue to be  
3 able to create energy. And the great thing about these  
4 opportunities is the bulk, the mass of this feedstock that  
5 has to go into the production of these new energy sources  
6 is large enough that it compels and requires bio  
7 refineries not to be large but to be placed every 150 to  
8 200 miles. So there is a real opportunity here to grow  
9 not just additional wealth for farmers and ranchers but  
10 also job opportunities.

11           What we have done at USDA is to invest in the  
12 research and development that identifies these feedstocks  
13 and tries to determine how to more efficiently use them.  
14 We have invested in and will continue to invest in  
15 resources to build biorefineries, to help finance  
16 biorefineries. We're working with producers, landowners  
17 to be able to produce the feedstocks for our BCAP program,  
18 and we're looking for innovative and creative ways to  
19 build this industry.

20           Most recently we announced a relationship  
21 between the Navy and the Department of Energy and the USDA  
22 to essentially build an aviation fuel industry. A drop-in

1 fuel that will be used in jets and in ships of the Navy, a  
2 drop-in fuel that commercial aviation is excited to have  
3 because they're very concerned about the instability of  
4 oil prices, the unstable nature of the places from which  
5 oil comes and the greenhouse gas impacts and effects of  
6 fossil fuels being burned, great opportunity here for us  
7 to build an entirely new industry.

8           So the Navy and the Department of Energy and the  
9 USDA are coming together. We're going to help finance the  
10 research that will identify the crops that can be used.  
11 We're going to help build the biorefineries and the Navy  
12 is going to purchase the fuel.

13           So it basically creates an industry. And we  
14 think as a result of USDA's work that we can also lower  
15 the cost of that fuel to the point where commercial  
16 aviation interests will become interested in it. And the  
17 bottom line is an industry is created that plays to the  
18 strengths of rural America.

19           This is one example of a number of examples of  
20 bio-based products. We have today thousands of bio-based  
21 products. We've begun a labeling process and program at  
22 USDA to identify for consumers across the country, where

1   these bio-based products are, what they are so that as  
2   we're making informed consumer choices we can recognize  
3   that the choice we make can impact and effect farmers,  
4   ranchers, rural landowners and small-town folks in a  
5   positive way.

6               So this is about innovation. The importance  
7   here and the emphasis I want to put on is the need for us  
8   to continue to invest in agricultural research. Cathy  
9   Woteki is here today, who is our Under Secretary who is  
10  engaged in that mission area of USDA, and I think she and  
11  I both agree that it's important and vital for the country  
12  to look at agricultural research in the same way we've  
13  looked at health care research and other important science  
14  advancements.

15              We know that there is a direct correlation  
16  between ag research and ag productivity. If we're going  
17  to continue to be able to meet all of these various needs  
18  with the crops that we grow, we're going to have to  
19  continue to be more productive, and that's going to  
20  require research. So innovation is an important component  
21  to this. But, you know, you can't have innovation without  
22  investment.

1           And it's extremely important for us to figure  
2 out ways in which we can leverage the investments that  
3 USDA makes because the reality that we face here in  
4 Washington is that we're going to have fewer resources  
5 available, so we have to smarter with them. That's why  
6 we're looking at ways in which we can leverage and partner  
7 with the non-profit sector in ways in which we can focus  
8 our resources to have critical mass and to make the best  
9 use of scarce resources.

10           We've got a number of programs that you're all  
11 probably familiar with. There are re-lending programs in  
12 which USDA provides resources and those resources are then  
13 re-lent, if you will, to small businesses and  
14 entrepreneurs. We've got the business and industry loan  
15 guarantee program that makes commercial lending interest a  
16 bit more comfortable with lending to business growth and  
17 development. And we're looking for continued partnerships  
18 with SBA to make sure that our resources if projects don't  
19 qualify that we make sure that folks know about SBA and  
20 vice versa.

21           Today we're announcing \$17.8 million of  
22 additional investments and a number of what I will refer

1 to as smaller but very significant and important programs  
2 at USDA. This 17.8 million is going to be basically  
3 allocated among three different programs, but they all  
4 have the same potential impact. The Rural Economic  
5 Development Loan and Grant Program is predominantly a  
6 program that works with co-ops and RECs to basically  
7 provide resources to stimulate economic growth and  
8 development. We're announcing today \$12.4 million that  
9 will be invested in 21 projects across 14 states, and our  
10 belief is it will leverage an additional \$17 million of  
11 investment and create hundreds of jobs. We're also going  
12 to make sure that we continue to reach out to socially-  
13 disadvantaged and small producers with our small and  
14 socially-disadvantaged small producer grant program,  
15 announcing today \$2.9 million of grants, 19 projects in  
16 nine states.

17 And finally, the Rural Business Opportunity  
18 Grants Program, we're also announcing an additional \$2.5  
19 million investment in 37 projects across 27 states.  
20 Significant portions of these grants are going to be in  
21 helping to promote regional planning and strategic  
22 planning, and I'll talk about that in just a second.

1           But in order for us to do more with less, we're  
2 going to have to figure out creative ways to partner. Let  
3 me give you an example of what that could look like, and  
4 perhaps that will stimulate some conversation and some  
5 questions. In the conservation area, now, traditionally  
6 over the course of last couple of years we've used our  
7 business and industry loan programs, our various micro  
8 enterprise programs, all of those programs, we've helped  
9 about 10,000 businesses, about a quarter of a million  
10 jobs. Just the Rural Utilities Service alone has made  
11 \$6.3 billion available to folks to produce opportunities.  
12 But in the conservation area we think there is an  
13 extraordinary opportunity to leverage resources and  
14 investment, and an extraordinary opportunity for us to  
15 sort of write a new chapter, if you will, in how we can  
16 use environmental resources and conservation resources to  
17 create economic opportunity.

18           The way this works now is we've got a number of  
19 conservation programs, actually about 20 conservation  
20 programs. Now, we'll probably have fewer conservation  
21 programs in the future with a bit more flexibility, but  
22 the resources will be limited given the nature and scope

1 of the work that has to be done out in the countryside.

2           So how do you basically leverage those  
3 resources? Well, you figure out strategies to encourage  
4 private investment. Now, how can you do that? Well, you  
5 can do it if you're able to quantify and measure and  
6 verify a specific conservation or environmental result  
7 that occurs from certain conservation practices because if  
8 you're able to quantify, measure and verify then you're  
9 able to potentially market that result to a private  
10 concern that might be interested in needing or having that  
11 result.

12           I'll give you an example. I was in Oregon  
13 recently and Oregon's got a power plant that takes water  
14 from a stream. They use the water in producing power,  
15 they pump it back into the stream, it's as clean as it was  
16 when they took it out of the stream, the difference though  
17 is that the temperature is increased, it's warmer. That's  
18 fine, except salmon want the cooler water, so government  
19 comes along and says, hey, you're going to have to do  
20 something about this, you're going to have to build a  
21 cooling tower, it's going to cost you \$10 million.

22           Company said, you know, is there another way we

1 can do this? We know what we have to do, we have to lower  
2 the temperature of the water, is there another way to do  
3 this? Well, if we encourage landowners along the stream  
4 to plant trees, the temperature of the water is naturally  
5 reduced. The landowners like it because it's an  
6 additional revenue source and an opportunity for them for  
7 conservation practices that they would probably want to do  
8 but may not be able to certainly afford to do.

9           The Salmon like it because the stream is now  
10 cooler, and the company likes it because they only have to  
11 spend \$3 million instead of \$7 million. The key here is  
12 defining the specific result from the conservation  
13 practice. Now, if we're able to do that we're able to  
14 create what we refer to as ecosystem markets, and that's a  
15 way of leveraging additional resources, and we're working  
16 on trying to figure out strategies and ways in which we  
17 can quantify and measure conservation, the result of  
18 conservation.

19           If we could couple that with working with other  
20 agencies of government that have a regulatory function and  
21 provide regulatory certainty for that landowner, for that  
22 farmer and rancher who is doing those conservation



1 practices, then the pot is sweetened even more so which is  
2 why we work with the Department of Interior out in the  
3 western part of the United States with sage grouse and the  
4 Endangered Species Act, basically providing an incentive  
5 for folks to invest in conservation by saying if you  
6 invest in a certain suite of conservation practices that  
7 will by their very nature protect the sage grouse, should  
8 that sage grouse ever be considered an endangered species  
9 we will deem you in compliance of that regulation and of  
10 that law.

11               So you get regulatory certainty because you have  
12 a defined result coming from a conservation practice.  
13 That's the kind of investment strategies that we have go  
14 to figure out. That's why we entered into a memorandum of  
15 understanding with the Council on Foundations to figure  
16 out ways in which we could know what each other is doing  
17 so that we could figure out creative ways to maximize the  
18 impact of our resources because they're going to be  
19 limited. So that's investment.

20               And then there is integration. And integration  
21 comes in many different forms. It comes in the form of  
22 basically creating networks, technological networks, the

1 expansion of broadband opportunities which create  
2 connections to people, creates opportunities for small  
3 business to be able to expand markets, to be able to  
4 perhaps reduce their input cost. It allows farmers and  
5 ranchers real-time information so that they can make more  
6 informed market decisions. So we're working to expand  
7 those kinds of infrastructure, technological networks and  
8 integration with rural America and the rest of the world.

9           It can also take the form of expanding  
10 opportunities locally and regionally for what we do  
11 produce agriculturally, integrating more closely producers  
12 in a local community with consumers in that local  
13 community, that's why we've put a lot of emphasis on local  
14 and regional food systems.

15           Integrating on opportunity so that a school, an  
16 institutional purchaser of food in a small town or  
17 community, could be a small college, it could be a prison,  
18 it could be a mental health institute, it could be a  
19 school, any institutional purchaser of food, the question,  
20 do you know what's being raised and produced in your  
21 locale, in your region within a 100, 200 miles of where  
22 you live and if it could be aggregated in sufficient

1 quantities with sufficient predictability would you be  
2 willing to enter into contracts to purchase that locally-  
3 produced commodity.

4           Bottom line is, you retain the wealth that's  
5 created each and every year from that region, and you  
6 allow it to circulate in the economy, you help to create  
7 jobs because you need a supply chain, you need warehousing  
8 facilities, you need cold storage facilities, you need  
9 mobile slaughter facilities in order to be able to have  
10 sufficient quantity to meet that institutional purchaser's  
11 needs. So we're focusing on local and regional food  
12 systems. That's an example of integration.

13           It can also be integration in terms of the  
14 capacity to government agencies to work with each other.  
15 And we have established, the President has established for  
16 the first time in the history of this country a Rural  
17 Council of his cabinet in which he's asked cabinet-level  
18 officials whose departments impact and affect rural  
19 America, and it's most of the agencies that have any  
20 domestic responsibility, asking them to come together and  
21 be able to know more fully and more completely what each  
22 is doing so that again we can do a better job of

1 integration.

2           The Department of Transportation in the past has  
3 been making transportation decisions in isolation from  
4 what the USDA has been doing in terms of business and  
5 industry development. We have been making decisions in  
6 isolation from what the Department of Energy is doing on  
7 renewable energy and fuel.

8           The Department of Energy is making decisions in  
9 isolation from what the Department of Labor may be doing  
10 on workforce development. Is there a way in which we can  
11 through this Rural Council integrate more fully and  
12 completely what the government agencies are doing so that  
13 we again focus our resources and leverage them to the  
14 maximum effect possible?

15           Now, I'm told that during the course of your  
16 three-day conference there is going to be an opportunity  
17 at the White House for a listening session which is part  
18 of our responsibility, to reach out to folks whose concern  
19 for rural America matches ours and give them an  
20 opportunity to give us feedback in terms of what you see  
21 what we ought to be focusing on in terms of the Rural  
22 Council's agenda.

1           Now, we've already seen some results from the  
2 Rural Council, I've mentioned one of them in the  
3 Department of Navy and the Department of Energy effort  
4 with USDA on aviation fuel. The SBA doubled its  
5 commitment to rural America over the next five years in  
6 terms of credit availability. As a result of the Rural  
7 Council, the Department of Labor and USDA are working to  
8 ensure that information is available at USDA facilities  
9 about Department of Labor mechanisms for advising folks  
10 where job opportunities might be.

11           So there is the beginning of this more full  
12 integration of federal agencies. We have to take that to  
13 the next level where the state rural development needs to  
14 work, as I'm sure many rural development folks already do,  
15 with state economic development directors to make sure  
16 that we continue to leverage effectively the resources at  
17 the state and federal level. We need to do the same thing  
18 with local government, councils of governments of the  
19 various organizations and entities that are engaged at the  
20 local level so that we have greater integration.

21           That's the reason why a good part of the money  
22 that we are allocating under our Rural Opportunity Grant

1 Program is designed for encouraging more regional  
2 consideration and thought by economic development  
3 directors. It's fair to say that small towns by  
4 themselves individually do not have the capacity, either  
5 the human or the financial capacity to basically move the  
6 dial. But when they recognize that they're part of an  
7 economic region and they contribute to an economic region  
8 and there is a strategy for that region that plays to the  
9 strengths of that region, both in terms of natural  
10 resources and investment opportunities, you can maximize  
11 economic opportunity and everyone can contribute more  
12 effectively. And that's why we are putting resources  
13 behind efforts to strategically plan regionally.

14 That's another place where we can potentially  
15 work together because I know a lot of foundations are  
16 investing in strategic planning and regional development  
17 and economic opportunity. So if we do a good job of  
18 creating new innovative opportunities that play to the  
19 strengths of rural America, the natural resource base, the  
20 wealth creation opportunity that is effective every single  
21 year, if we figure out creative ways to leverage  
22 substantially greater capital investment in those economic

1 opportunities and if we integrate more forcefully and more  
2 fully the work that's being done in various levels, both  
3 non-profit, private sector, government at each level, we  
4 can, I think, create enough critical mass so we can move  
5 the dial and we can create the opportunity. The vision I  
6 have is of a mother and a father sitting around a coffee  
7 table talking to their son or daughter or their grandson  
8 or granddaughter about opportunities at home,  
9 opportunities in the region, opportunities in a small  
10 town, opportunities in rural America as opposed to the  
11 conversation that all too often takes place today which is  
12 the son or daughter, grandson or granddaughter advising  
13 them that they are moving away, far away.

14 I can't tell you how many times I've had that  
15 conversation both as a mayor of a small town, as a state  
16 senator of a rural area in Iowa, as a governor and now as  
17 a Secretary. It doesn't have to be, it does not have to  
18 be. And the importance of this part of the country needs  
19 to be recognized and appreciated and there needs to be a  
20 more concerted effort to focus attention and resources and  
21 do it in a creative and thoughtful way. So that's why I'm  
22 here today, to enlist your help and assistance.

1           You know, there are a lot of proposals out  
2   there, a lot of good ideas. The key here is making sure  
3   that we've got a focus where it needs to be, greater  
4   innovation, more strategic investment and integration of  
5   our activities. So with that I'm going to stop. I'll be  
6   glad to answer questions in the time we've got left.  
7   Okay.

8           (Applause)

9           MR. DELLER: Good morning, Steve Deller,  
10   University of Wisconsin, Madison. And no, you can't have  
11   our offensive line.

12          MR. VILSACK: I just want them on Sunday.

13          (Laughter)

14          MR. DELLER: We were asked to kind of introduce  
15   ourselves around the table, and one of the questions we  
16   were asked is, you know, if we could tell urban folks one  
17   thing about rural America, what would it be. And the  
18   theme that kind of came out of our table was two parts,  
19   one is that rural America is very heterogeneous, it's very  
20   diversified.

21                 And the second theme that came out is that the  
22   vast majority of rural America is not dependent upon



1   agriculture for economic opportunities. But as I listened  
2   to your comments, almost all of them centered on  
3   agriculture. So what does that say to the rest of rural  
4   America that's not dependent upon agriculture?

5               MR. VILSACK: Well, first of all, I am the  
6   Secretary of Agriculture.

7               (Laughter)

8               MR. VILSACK: That's the first thing. The  
9   second response and the more serious response is that I  
10   don't think we have -- I think we have thought of the  
11   relationship between rural America and agriculture in a  
12   very traditional way, which is the way I described  
13   earlier, which is you grow crops, you feed the crops to  
14   livestock, you add value, sell livestock, you're  
15   diversified by having different kinds of livestock,  
16   different types of crops, but that's how you survive, and  
17   then you go down to the small town business and you buy  
18   the implement or you buy the thing at the hardware store,  
19   et cetera, that's the traditional way of thinking about  
20   agriculture.

21              My way of thinking about it is different, that's  
22   a commodity-based strategy, and that's still important,

1 that's still relevant. But what if you focus not on a  
2 commodity but on the development of an ingredient because  
3 ingredients have more value. Commodity, kernel of corn is  
4 a kernel of corn is a kernel of corn and it basically  
5 trades on a market and you get whatever the market gives  
6 you. But what if you have a circumstance and a situation  
7 where in one field you're growing crops that will be  
8 specifically designed for a bio-based product as a  
9 substitute for petroleum-based plastic.

10 Chuck, I see your hand, just keep it down.

11 What if you do that? And you have the plant  
12 that produces the plastic now made from the corn that's  
13 grown down the road, creating jobs. Now, that's linked to  
14 agriculture, but it's also a brand-new industry. And what  
15 if you take hog waste from a local hog producer and you  
16 basically take it down the road and you use it to create  
17 asphalt for roads that are used to pave the county road  
18 system, that's being worked on in Ohio State today. And  
19 what if down the road from that corn crop that being  
20 produced for plastic you've got corn that's specifically  
21 designed for aviation fuel or for ethanol because the husk  
22 and the corncob is being used and converted into something

1 far more valuable than it is today.

2           And what if you have someone further down the  
3 road that has a completely different crop of dandelions,  
4 and the reason they're growing dandelions is because they  
5 can actually create rubber from the stems of dandelions.  
6 That's a whole different strategy that's tied to the land,  
7 tied to the natural resource base but it's different than  
8 the traditional thought process of agriculture in rural  
9 America.

10           And what if you further have conservation  
11 practices that create the kind of leverage that I talk  
12 about, the ecosystem markets where utility companies and  
13 industries purchasing conservation practices because they  
14 need the result which in turn puts the local contracting  
15 business that moves the dirt, that creates the buffers  
16 that does the terracing in business and keeps them in  
17 business for a long time, that's part of the strategy.

18           And what if you basically take all of that  
19 agricultural production and all the waste product from it  
20 and you take it down to the local REC and they're  
21 producing power that's domestically produced so we no  
22 longer have to rely on foreign oil, we no longer have to

1 take the \$300 billion we spend every year on foreign oil.  
2 We can put a lot of that back into investing in economic  
3 opportunity. I think it's a different way of thinking.

4           And if I were the Department of Commerce  
5 Secretary, I'd probably come to you and talk about  
6 insurance, and you know, broadband making opportunities in  
7 terms of call centers and bringing them back from all over  
8 the world back into rural America, I can talk to you about  
9 that too. But I think it's important to see that there is  
10 a strategy that converts us from a commodity-based  
11 agriculture-only to a commodity and ingredient-based one  
12 which creates a whole lot more economic opportunity and a  
13 whole lot more jobs.

14           And is innovative enough so you can say to your  
15 son and daughter what a fantastic opportunity you have  
16 here, you can feed the world or you can power your company  
17 -- country or you can create this new innovative creative  
18 product that makes us less reliant on foreign oil and  
19 makes the world a lot safer place, that's a compelling  
20 argument, I think. So Chuck had his hand up --

21           SPEAKER: Actually I think Elsa's got the next  
22 person. I've got Chuck in the queue.

1           MR. VILSACK:   Okay, great.   Okay, very good.

2           MR. PENNEKAMP:   (Off mic.)

3           MR. VILSACK:   You got -- you may have to turn  
4   that on or maybe it's on.

5           MR. PENNEKAMP:   It's on?

6           MR. VILSACK:   There we go.

7           MR. PENNEKAMP:   It's on.   I'm Peter Pennekamp  
8   from the Lower Klamath River communities and Lower Klamath  
9   River, working on the Klamath Basin Restoration Agreement,  
10   you know all about that, seems like a pretty remarkable  
11   agreement to help the farmers upstream and the fisheries  
12   and the tribes downstream.

13                 Last week data came out saying that for -- we're  
14   going to lose 50 jobs taking out the dams and should gain  
15   about 1,400 along those communities, big sorts of jobs for  
16   small communities.   So what I'm wondering about is we hear  
17   a lot about the Department of the Interior and I'm -- it's  
18   seems like a real case study in working together.   And so  
19   I'm wondering how the Department of Agriculture is working  
20   with the Department of the Interior, and also what your  
21   advice is since all we need now is an act of Congress how  
22   to get it.   Oh, and we need a few dollars too.

1           MR. VILSACK: Well, the Forest Service works  
2 very closely with the Bureau of Land Management and the  
3 Department of Interior in terms of integrating our  
4 activities on the force that we have responsibility for.  
5 We have a new forest planning rule which basically talks  
6 about the multiple uses to which we can put our forested  
7 lands, starting with the understanding of what they  
8 actually do for us and the importance of them which is  
9 that they are natural reservoirs and conservers of our  
10 previous water resource, particularly in the western part  
11 of the country, that we need to do a better job of  
12 maintaining our forests so that we can do a better job of  
13 conserving and preserving the water resources so we have  
14 it available for all the uses including agricultural uses  
15 that water is used of.

16           That then creates a whole new set of  
17 opportunities in terms of energy production. When you  
18 properly maintain forests you create a lot of woody  
19 biomass, the question is what do you do with that woody  
20 biomass, it creates enormous opportunities. The Forest  
21 Service is already engaged in working in small projects  
22 with schools and other institutions to use that woody

1 biomass to produce power or produce heat, and I think  
2 you're going to see more and more of that.

3           You're also looking at the Department of  
4 Interior and the USDA working in -- closer with each other  
5 on the American Great Outdoors Initiative which is  
6 designed to recognize the important role that outdoor  
7 recreation plays in economic opportunities in areas that  
8 are blessed with natural resources. Our national forests  
9 are enormously popular places for people.

10           One hundred and seventy million people actually  
11 visit the national forests, 300 million people drive  
12 around or through a forest on the way to some other place.  
13 Those are hundreds of millions of opportunities for  
14 economic opportunity that we haven't fully utilized. So  
15 when we look at our forest planning role, looking at our  
16 integrated work with Department of Interior is how do we  
17 continue to maximize those economic opportunities, how do  
18 we reconnect people in urban centers in particular with  
19 these wonderful natural resources, get them outdoors, get  
20 them active.

21           SPEAKER: How about the farmers --

22           MR. VILSACK: What you mean -- I'm sorry, I

1 don't --

2 SPEAKER: Those big irrigation districts, those  
3 big farm lands, Southern Oregon, Northern California --  
4 (off mic).

5 MR. VILSACK: Okay. We're working, and this may  
6 not be an answer to your question, but we're working to  
7 integrate -- two answers. One is the Forest Service works  
8 with the NRCS to make sure that what we do with our  
9 forested land is in concert with what we're doing in our  
10 private working lands and conservation practices. So it's  
11 not just integration with BLM, it's also integration  
12 within USDA that's important.

13 And secondly, it's working with private  
14 landowners as -- through the NRCS to make sure that they  
15 use resources as efficiently as possible. A lot of what  
16 we're doing both in Klamath and also in the California  
17 Bay-Delta area is making sure that we're really efficient  
18 with the water we do use for agriculture and that we're  
19 creating better irrigation systems and better utilization  
20 of that resource in working with farmers, and that gets to  
21 Cathy's area of extension and the university systems that  
22 can work with folks to have a better understanding of how



1 to use water resources.

2           There is also the opportunity to look at more  
3 creative ways and more effective ways to use those private  
4 lands, and that gets back to this whole question of  
5 diversifying agriculture. When agriculture was -- you  
6 know, one of the reasons why we need safety nets in this  
7 country is because we've really narrowed down the number  
8 of things we do with our land, so we don't have quite as  
9 much protection against one crop not doing very well.

10           Used to be that a farm would grow somewhere  
11 between three and six different crops or raise three --  
12 that diversity is now most likely two to three, and the  
13 less diversity you have the more risk you have, and that's  
14 why you have to create protections. I can't answer your,  
15 the question about Congress, we're working on that one.

16           (Laughter)

17           MR. MORRIS: Secretary Vilsack, thanks so much  
18 for being here. I want to ask you a question about a --  
19 my name is Peter Morris, I work for the National Congress  
20 of American Indians that represents tribes throughout the  
21 country. I want to ask you a question about a sustainable  
22 natural resource that you haven't talked about yet, and I

1 want to propose an additional I for your list. My wife is  
2 from Iowa, extended family from there, love that  
3 connection between I's and Iowa. And as you can hear from  
4 my accent, I'm not from Iowa.

5 (Laughter)

6 MR. MORRIS: Rural youth, particularly rural  
7 youth of color are a significant and sustainable natural  
8 resource that is really where the promise of rural  
9 communities and the promise of America is coming from.  
10 And the I that want to propose to you to add to the great  
11 set of I's that you shared is the I of inclusion.

12 And as you may know, the National Rural  
13 Assembly, back in June, had a conference and the focus,  
14 the theme of that conference was building an inclusive  
15 nation. And as we think about who is rural America, where  
16 are we going, what can we do together, inclusion is a  
17 really significant part, because I think if in a  
18 generation's time we look back at the Rural Council, the  
19 White House Rural Council, an amazing innovation, and it  
20 continued to promote only the success of white communities  
21 in rural America or didn't fully take advantage of the  
22 opportunities that communities of color offer in rural

1 America, then I think we will have failed even if rural  
2 communities in some parts of the country have moved  
3 forward.

4           So I wondered if you can talk particularly about  
5 how you're thinking about government investments as they  
6 affect communities of color and as they move communities  
7 of color forward. And also because you've already  
8 mentioned the necessary partnership with philanthropy, how  
9 do we encourage philanthropy to make meaningful  
10 investments in communities of color in rural areas as  
11 well?

12           MR. VILSACK: Well, I would point out that they  
13 only gave me 10 to 15 minutes to talk which is why I  
14 didn't include inclusion. Let me start small and then  
15 sort of take your question and go bigger. We actually are  
16 working on inclusive strategies in a couple of different  
17 ways, one is that I mentioned the Small and Socially-  
18 Disadvantaged Producer Grants, that's really about  
19 predominantly people of color that we need to be able to  
20 help who are working on relatively small land, land  
21 holdings which we think still have great opportunity for  
22 economic opportunity if they can access the credit and the

1 resources to be able to take their small orchard or their  
2 small farm that's growing fruits and vegetables and link  
3 them up with a regional or local food system, help them  
4 create a community-supported agricultural opportunity that  
5 can expand and grow.

6 I was in California recently and saw examples of  
7 how those things can grow from 5-acre plots to 8, 900  
8 acres, go from helping a few families out to helping  
9 40,000 families out over a period of several generations.  
10 So it is important that we talk about how we can help  
11 those smaller producers, and that's one of the reasons why  
12 we've got a grant program.

13 Secondly, we've got an Office of Outreach and  
14 Advocacy which is really designed to create better  
15 awareness on the part of people of color, of their  
16 programs and opportunities that USDA provides. Third, we  
17 have a thing called StrikeForce which is specifically  
18 designed to go into the areas of persistent poverty which  
19 oftentimes also have significant populations of people of  
20 color and make sure that those folks who have been  
21 discouraged from participating in USDA programs over the  
22 course of the history are now encouraged and now feel more

1 confident about involvement. So there are a series of  
2 programs here that are designed specifically to try to  
3 address opportunities in the short term.

4           The "I" I thought you were going to talk about  
5 was immigration. And you can't get to your point unless  
6 you have a discussion about immigration. And frankly,  
7 this is a -- not an easy conversation to have with folks,  
8 but it's one that is absolutely necessary for this country  
9 to have. And we're all invested in this idea, in this  
10 discussion, and we need to be. Here is why we need to be.

11           Let me just start from a personal standpoint. I  
12 started out life in an orphanage; I do not know what my  
13 ethnic background is. Some indication it may be part  
14 Irish, part Scottish, I don't know. I don't know what my  
15 ethnic background is. I'm probably unique in this crowd.  
16 My guess is that most of you have some sense of what your  
17 ethnic background is. And I suppose that each one of you  
18 could talk about a family member that came to this country  
19 at some point in time. Maybe it was just recently, maybe  
20 it was 50 years ago, maybe it was a 100 years ago, maybe  
21 it was 400 years ago, but you know that struggle that that  
22 family that first came to this country went through in

1 order for you to have the opportunity that you have today.

2 That American struggle always precedes the American dream.

3           And for some reason we do not learn the lesson  
4 and so each succeeding group of people who come to this  
5 country have got to go through that process. But now we  
6 have a circumstance in this country where there are those  
7 who wish to essentially create some kind of barrier to  
8 that happening. The notion that we can't as a government,  
9 as a people have a conversation about immigration, much  
10 less have a Congress that passes comprehensive immigration  
11 reform that fixes a broken system, that creates real  
12 opportunity for people of diverse backgrounds to come to  
13 this country and replay the American experience as every  
14 single one of our ancestors did.

15           And when we basically say as we're saying today  
16 that it's too politically difficult to have that  
17 conversation, it's too heavy a lift, it's too hard to talk  
18 about, it's uncomfortable to have that conversation. We  
19 put this barrier up that prevents that conversation from  
20 taking place, prevents the solution and the fix to a very  
21 bad system, and the result is we've got this disconnect  
22 with American history. You've got people who think that

1 the 12 million people who are here illegally need to be  
2 invited -- disinvited out of the country.

3           Now, who are these people? I'll tell you, a lot  
4 of them pick, process and pack the food that you eat every  
5 day, every day. And you and we and us benefit from this  
6 in the sense that we have pretty affordable food because  
7 this work -- this labor supply is willing to work hard,  
8 really hard to provide us this opportunity, and you got  
9 people that say, get them out of the country. Who is  
10 going to pick or process and pack the food?

11           You know, there have actually been entities that  
12 have made advertisements for folks to pick, process and  
13 pack food and they've gotten very little response, except  
14 from folks who come from other countries. I think it's an  
15 outrage that we can't have this conversation. I think  
16 it's unfortunate and tragic that there are those who want  
17 to use this conversation to divide us, to scare us, to  
18 make us afraid of diversity when it's the diversity of  
19 experiences and diversity of cultures that has helped to  
20 define and create the energy and the innovation that has  
21 made this country the greatest place on earth. It is  
22 startling to me that we can't have this conversation. It

1 is tragic that we cannot get immigration reform  
2 legislation through because it's just too politically  
3 difficult because when folks go back home there is a small  
4 cadre of folks who basically create the impression that  
5 the rest of America is fearful of this.

6           Look folks, if you don't remember anything I say  
7 please remember this. You cannot give me an example of  
8 when this country succeeded when it operated out of fear.  
9 You can't give me one example. But I could probably give  
10 you a hundred example of when this country was fearless  
11 that it succeeded. And to me, it's really tragic that we  
12 can't have this conversation, we can't get our Congress to  
13 -- and the reason is because we don't let them.

14           You know, the political spine to have this  
15 conversation doesn't come from the elected officials; it  
16 comes from ordinary citizens saying it's okay to have the  
17 conversation. It's okay and it's important to have this  
18 conversation. So we're trying, but we need a lot more  
19 help and we need to engage folks on the right and the  
20 left. You know, I've had meetings with evangelical  
21 ministers who are as conservative as any person in this  
22 country but who also understand their faith requires them



1 to have this conversation. So think about it.

2 (Applause)

3 MR. VILSACK: Chuck.

4 MR. HASSEBROOK: Chuck Hassebrook with the  
5 Center for Rural Affairs in Nebraska. Thanks for visiting  
6 with us, Mr. Secretary.

7 One of the valuable things USDA does through its  
8 rural development programs is support the initiatives to  
9 build the capacity in rural America to take advantage of  
10 the kinds of opportunities you're talking about, through  
11 entrepreneurship programs, through community development  
12 programs that build community capacity.

13 As you know, the funding for those programs has  
14 been shrinking. I think it's -- across rural development,  
15 funding has fallen by a quarter to a third over the last  
16 eight years. And one significant, not the biggest, but  
17 one significant source of funding for rural development  
18 has been the farm bill where in the last two farm bills on  
19 average put about \$50 million a year on average in rural  
20 development. That's all at risk this time. And if we lose  
21 that 50 million, it's going to be another deep blow to  
22 rural development funding.

1           Can you help us avoid -- and there is talk about  
2 putting no money in this time because those programs don't  
3 have a baseline. And can you help us avoid a 100 percent  
4 cut in the rural development funding provided by the farm  
5 bill and try to keep some of that money there for rural  
6 entrepreneurship, value-added agriculture, all the things,  
7 just community development, all the things that build the  
8 capacity to take advantage of the opportunities of the  
9 21st century?

10           MR. VILSACK: It's a good question, Chuck. And  
11 this is a different farm bill. You're a veteran of far  
12 more farm bills than I am, so you may disagree with this,  
13 but I think this is right. In the past, it's been the  
14 policy that has -- essentially been created and then  
15 shoehorned into whatever the budget is and then they go to  
16 the Finance Committee and get a few more bucks to fund a  
17 couple of these programs or don't fund them adequately  
18 throughout the length of the farm bill so that they can  
19 fit it into a budget constraint.

20           But it's the policy that usually drives that.  
21 This time it's the other way round, you got the committee  
22 of 12 meeting, and they are -- by the nature of their

1 mission which is to substantially reduce federal spending  
2 and investments, they have to look at mandatory spending,  
3 which means they have to go into the areas that intersect  
4 with the farm bill.

5           So what you're going to see, I think, is the  
6 growing belief that now is the time to create the policy.  
7 So when the gang of 12 comes up with whatever they're  
8 going to come up with you have the parameters and you fit  
9 it into the parameters because next year it won't be any  
10 easier, probably lot more difficult to get a farm bill  
11 through from a financial standpoint.

12           That's going to put a premium on creative  
13 thought process, and so here is what I think will likely  
14 happen in rural development areas. I think you're going  
15 to see a collapsing of the number of programs, but you're  
16 going to see greater flexibility within the programs that  
17 remain so that we can continue to address the capacity-  
18 building that you've talked about. That is very, very  
19 important. I recognize the importance of it.

20           You could have all the grant programs, all the  
21 loan programs, all the wonderful programs but if you don't  
22 have folks at the local level who kind of understand all

1   this stuff and who -- and work with folks like you and  
2   your center and others to sort of understand how the rules  
3   -- how the game is played, they never get those resources,  
4   that's why we developed StrikeForce because there -- there  
5   just wasn't the capacity.

6               So we're building through community building  
7   organizations and StrikeForce the capacity to understand  
8   how to participate in the game. So I think that's what  
9   you're going to see.

10              Now, the level of funding is anybody's guess  
11   because you've got significant pressure on that part of  
12   the budget for a number of reasons. One of which is that  
13   people do not understand how little that overall farm bill  
14   really is of the overall budget. I mean, there's this  
15   belief, I always hear people talk about Medicare,  
16   Medicaid, Social Security and the farm payments as if all  
17   four of those are equal. You could do away with all the  
18   farm payments and you wouldn't -- you would hardly notice  
19   any change in terms of the overall budget. So we have to  
20   do a good job of explaining the significance and  
21   importance of rural America and explain the significance  
22   and importance of economic development in rural America to

1 be able to save those resources, which is why I talked at  
2 the beginning of this about why rural America matters.

3 Looking -- we take it for granted. And I'd say  
4 to farm groups, my farm friends, I say, hey guys, you're  
5 less than 1 percent of the population now. You got to  
6 talk to the other 99 percent about what you do so they  
7 understand it and they appreciate it, so that when you  
8 talk about the farm bill you can explain why it's  
9 important to have that safety net.

10 Rural America has to talk about the importance  
11 of the 16 percent to the other 84 percent. Why is it that  
12 our kids disproportionately go in the military? Why is  
13 that? Now, I've got a nephew, Sam Bell (phonetic), who's  
14 a smart kid, B student in high school. His parents, dad's  
15 a lawyer, mom works for college. Financially, they could  
16 afford to send Sam anywhere in the country. He could have  
17 gone to school. He could have gone to a four-year  
18 college, no problem. So it's not a situation where Sam  
19 decided this was the only option for him, it was to go in  
20 the Marine Corps, he made a conscious choice to go in the  
21 Marine Corps. Now, why did he do that? Why do people  
22 like Sam Bell do that?

1           Well, some will say it's because they sense  
2 opportunity. Well, Sam didn't -- Sam had many  
3 opportunities here. It wasn't that -- his world wasn't  
4 limited. But when you grow up in these rural communities  
5 you grow up in an area that is surrounded by a value  
6 system that is linked to what happens on the land. And a  
7 very basic understanding of rural is that you can't keep  
8 taking from the land; you've got to give something back to  
9 it because if you keep taking and don't give anything back  
10 that land will stop giving to you.

11           The basic rule of farming, you've got to give  
12 back, you've got to replenish the land, you've got to re-  
13 nourish it. Same thing is true of a country. Our kids  
14 understand that. They grow up with that understanding  
15 that they have a responsibility to give back. You know,  
16 when that population continues to age and continues to  
17 shrink, what happens to that fundamental understanding of  
18 how this country works? When the number of farmers  
19 continues to shrink and age who's going to continue to  
20 provide us with this enormous food security that we all  
21 take for granted?

22           Look, we have the capacity to grow everything we

1 need in this country, really, to feed ourselves. A lot of  
2 other countries don't have that capacity. It's a national  
3 security opportunity for us, we never couch it in those  
4 terms. So we don't market rural America very well, Chuck.  
5 And you've got to market it to be able to say why it's  
6 important to invest in it. You've got to market it.

7           And we have to market it. The people who  
8 understand the importance and significance and how hard  
9 these folks work and how heroic some of their struggles  
10 can be, whether it's the immigration issue and the  
11 inclusion issue or the earlier question or whether it's  
12 that guy who's been on the farm for five generation and  
13 has a 300- or 400-acre farm and is struggling every single  
14 day to make ends meet because he is connected to that  
15 land. It's important to preserve that, but we've got to  
16 market it.

17           So I'm going to do everything I can to work with  
18 USDA and to provide the technical assistance to make sure  
19 that the farm bill is as creative a vehicle and instrument  
20 as it possibly can be because that's what we're going to  
21 have to be. We're going to be very creative. And I want  
22 as much flexibility as I possibly can have within the

1 resources that are provided to me so I can use them in the  
2 most effective way and I can leverage them more  
3 effectively.

4           When we silo these programs, we make it very  
5 difficult. Given the diverse nature of rural America, we  
6 make it very difficult, and we end up not being  
7 particularly imaginative at times about how these  
8 resources are used. You have educated me about the  
9 importance of these micro enterprises and the significant  
10 job-creating opportunities that they create, and that's  
11 why you bring entrepreneurship and innovation into rural  
12 America.

13           So that has to be preserved in some format. But  
14 it may not be its own little silo; it may be part of a  
15 bigger program. And giving us the flexibility to say,  
16 hey, this dollar that we invest will leverage and return  
17 to us more of an investment than this dollar that we  
18 traditionally have used in a different way. And I think  
19 that's also part of it, making sure that we make the case  
20 that the return on investment of these programs merits the  
21 flexibility and the resources. I think you can make that  
22 case for a lot of the value-added producer stuff that



1 we're doing.

2           The last thing I would say is, it's going to be  
3 important for us not to denigrate the work of local and  
4 regional food systems. They are a complement, they are  
5 not a competitor to production agriculture. They are a  
6 complement. Because they create that opportunity for  
7 somebody who owns 5 acres or 10 acres or 20 acres to be  
8 able to have an opportunity. And to the extent that we  
9 can aggregate them so that they meet institutional needs  
10 locally we retain that wealth and we allow it to circulate  
11 over and over and over again within the economy.

12           If we see value-added producer grants or micro-  
13 enterprise grants as a way of funding local and regional  
14 food systems and we somehow think that as a competitor to  
15 production agriculture, it makes it politically a little  
16 more difficult to get the resources and the flexibility.  
17 So it's important to look at this and say, you know, there  
18 are -- we want greater diversity, more opportunity, more  
19 creative ways to make a living out there and more  
20 innovative ways. And this is one strategy; it's not the  
21 only strategy, it's one of many good strategies.

22           So a long answer to your question, but I think

1   there is a lot of work that we have to do, and we have a  
2   relatively short period of time because I think you're  
3   going to see a lot of this start bubbling up, you see a  
4   lot of commodity groups already coming up with their  
5   proposals.  It's because they see that gang of 12, they  
6   see in the next couple of months creating the financial  
7   framework within which the farm bill has to be decided.

8               And the last thing I'll say is that when they're  
9   looking at savings you obviously go where the money is.  
10   And in the farm bill there are really three significant  
11   pots of money.  There are food programs, there are the  
12   farm programs and there's conservation, and they're going  
13   to be looking at those pots, which is why we have to  
14   continue to be very creative about leveraging resources to  
15   make sure that we don't lose -- because the last --  
16   really, the last thing I'm going to say to you is --

17               (Laughter)

18               MR. VILSACK:  Well, this is -- you know, I told  
19   my staff, just so you know, I told my staff, you know, 30  
20   minutes is not enough to talk about all these issues, it  
21   just isn't.  But the fact that we're going to reduce  
22   government spending doesn't mean that the work is reduced.

1 I hope nobody thinks that, well, you know, a lot of this -  
2 - all this money is fraud, waste and abuse and we don't  
3 really -- we can cut all these resources and nobody will  
4 ever see any difference.

5           You're going to see a difference. You're going  
6 to see a difference because the work doesn't -- I mean,  
7 conservation, you can squeeze conservation spending, but  
8 that doesn't mean that somehow we don't have to do  
9 conservation. We have many, many needs in conservation.  
10 So somehow we've got to figure out how to take scarce  
11 resources and multiply it and leverage it. The fact that  
12 you can squeeze direct payment programs doesn't mean that  
13 we don't need a safety net for farmers because you can ask  
14 anybody along the Missouri River who got flooded why it's  
15 important to have a safety net, right?

16           And the fact that we have 42 million Americans  
17 receiving food assistance today because the economy is  
18 struggling only 8 percent of those receiving cash welfare,  
19 so 92 percent are not, these are senior citizens, these  
20 are children, these are working people who are trying to  
21 stretch that dollar. You know, you can squeeze that food  
22 dollar, but you've still got people in need.

1           So nobody should walk out of here thinking,  
2 well, you know, you can slice off a trillion dollars here  
3 and a trillion dollars there and nobody is ever going to  
4 notice the difference. We are going to notice the  
5 difference. It's going to happen, so we've got to figure  
6 out how to be creative, because the need is going to still  
7 be there. And that's why you all are important because  
8 you're partners, and you can let us leverage and think  
9 creatively about how to use these resources.

10           Thank you all.

11           (Applause)

12                           \*   \*   \*   \*   \*